

**DeWitt Public Schools  
DeWitt, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2006**

DeWitt Public Schools  
DeWitt, Michigan  
BOARD OF EDUCATION  
June 30, 2006

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DeWitt Public Schools

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
DeWitt Public Schools  
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of DeWitt Public Schools as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of DeWitt Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of DeWitt Public Schools as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2006 on our consideration of DeWitt Public Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise DeWitt Public Schools' basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 14, 2006



**Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2006**

DeWitt Public Schools is a K-12 public school district located in Clinton County, Michigan. This section of the annual financial statements, titled Management's Discussion and Analysis, represents management's review of the District's financial performance during the fiscal year ended June 30, 2006. The Management's Discussion and Analysis is intended to be read in conjunction with the District's financial statements.

Generally accepted accounting principles (GAAP) require the reporting of two types of financial statements: Government-wide financial statements and Fund level financial statements.

**District-wide Financial Statements:**

District-wide financial statements provide information about the activities of the entire school district. They present an overall view of the District's finances, reporting the district's assets and liabilities on a both short and long term basis. District-wide financial statements are reported on a full accrual basis.

**Fund-level Financial Statements:**

Fund-level financial statements are reported on a more detail level than government-wide statements. Fund level statements provide information on the district's most significant funds. The General Fund is the District's only major fund. Activity for all other funds are combined and presented in a single column labeled Other Nonmajor Governmental Funds. Fund financial statements are reported on a modified accrual basis, reporting only those assets that are "measurable" and "currently available". Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources.

**Statement of Fiduciary Net Assets:**

The District is also required to present information about assets it holds as a fiduciary. The Statement of Fiduciary Net Assets presents financial information about activities for which the District acts solely as an agent for the benefit of students and parents. These activities are excluded from the district's other financial statements because as a fiduciary, the District is unable to use these assets for its operations. The school district's responsibility for assets reported in the Statement of Fiduciary Net Assets is to ensure the funds are used for their intended purposes.

**Summary of Net Assets:**

The following table summarizes the District's net assets for the fiscal year ended June 30, 2006 and 2005.

**Net Assets Summary**

	<b>Governmental Activities</b>	
	<b><u>June 30, 2006</u></b>	<b><u>June 30, 2005</u></b>
<b>Assets</b>		
Current assets	\$ 7,757,064	\$ 7,648,965
Capital assets, net	<u>43,384,779</u>	<u>44,016,996</u>
<b>Total assets</b>	<b><u>\$ 51,141,843</u></b>	<b><u>\$ 51,665,961</u></b>



**Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2006**

**Net Assets Summary - continued**

	<b>Governmental Activities</b>	
	<b><u>June 30, 2006</u></b>	<b><u>June 30, 2005</u></b>
<b>Liabilities</b>		
Current liabilities	\$ 7,839,890	\$ 8,025,357
Noncurrent liabilities	<u>56,526,460</u>	<u>58,315,566</u>
Total liabilities	64,366,350	66,340,923
<b>Net Assets</b>		
Invested in capital assets, net of related debt	(16,240,684 )	(17,142,491 )
Unrestricted	<u>3,016,177</u>	<u>2,467,529</u>
Total net assets	<u>(13,224,507 )</u>	<u>(14,674,962 )</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 51,141,843</u></b>	<b><u>\$ 51,665,961</u></b>

**Analysis of Financial Position:**

As detailed above, the District shows a negative total net asset value of (\$13,224,507) for the fiscal year ended June 30, 2006. Negative total net asset valuation is not unexpected for a district with DeWitt's characteristics, and can be explained by several factors:

- Over the past 10 years, significant enrollment growth has pressured facilities to their capacity limits.
- Major construction projects became necessary to expand facilities to meet the needs of the increased number of students. A new high school and major modifications to five other facilities began in 1997 and continued through the 2002-2003 year.
- Significant debt (\$39.5 million) was incurred by the district in 1996 to pay for the facility modification projects.

Negative asset values are expected to become positive valuations assuming property tax valuations in the District continue to maintain their historical growth rates, and the District continues to repay existing debt obligations.

During fiscal year ended June 30, 2006, the District's net assets increased by \$1,450,455. Several factors which helped cause the increase are discussed in the following sections.

**A. Governmental Fund Operating Results**

The District's revenues from governmental fund operations exceeded expenditures by \$367,984 for the fiscal year ended June 30, 2006. Further discussion of the District's operating results is available in the section entitled "Results of 2005-2006 Operations" located on the following page.



**Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2006**

**B. Depreciation Expense in Excess of Capital Outlay**

The cost of capital assets is allocated over the useful lives of the assets as depreciation expense. During 2005-06, district assets depreciated faster than the District's investment in new or replacement assets, causing a reduction in net district assets. The District's overall capital net assets were reduced by \$632,217, calculated as the difference between new capital investments (\$990,240) and depreciation allocated against the useful lives of district assets (\$1,622,457).

**C. Long-Term Debt Activities**

The District reduced its long-term debt obligations during 2005-06 by \$1,675,412. Making principal payments on several outstanding bond issues, proceeds received from installment loans, and prior refunding of several debt issues helped reduce the District's long-term debt obligations. Each refunding issue reduced the District's long-term principal and related interest obligations by replacing older, higher interest rate debt issues, with new debt issued at lower interest rates.

Additional debt in the form of principal (\$1,462,395) was incurred by the District during the fiscal year through the State of Michigan School Bond Loan Fund, more than in prior years. In aggregate, net District long-term debt liabilities declined by \$1,675,412 as a result of all long-term debt transactions occurring during 2005-06. Long-term debt activities are summarized in Note E of the financial statements.

**Results of Operations:**

For the fiscal years ended June 30, 2006 and 2005, the district-wide results of operations were:

	<u>2006</u>	<u>2005</u>
<b>Revenues:</b>		
Program Revenues		
Charges for service	\$ 1,641,901	\$ 1,725,312
Operating Grants	643,819	662,623
Capital Grants and Contributions	44,649	28,924
General Revenues		
Property Taxes	5,976,140	5,478,344
State School Aid - unrestricted	18,900,494	17,800,417
Other	<u>957,975</u>	<u>691,506</u>
<b>Total revenues</b>	<b>28,164,978</b>	<b>26,387,126</b>





**Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2006**

	<u>2006</u>	<u>2005</u>
<b>Functions/Program Expenses:</b>		
Instruction	\$ 13,604,901	\$ 13,185,765
Supporting services	6,900,029	6,544,096
Food service	677,191	670,898
Athletics	638,927	794,281
Community services	606,259	567,012
Payments to other districts	-	443,395
Interest on long-term debt	2,664,759	2,697,837
Unallocated depreciation	<u>1,622,457</u>	<u>1,619,690</u>
<b>Total Expenses</b>	<b><u>26,714,523</u></b>	<b><u>26,522,974</u></b>
<b>Increase (Decrease) in Net Assets</b>	<b><u>\$ 1,450,455</u></b>	<b><u>\$ ( 135,848 )</u></b>

**1. State of Michigan Unrestricted Aid (Net State Foundation Grant)**

State of Michigan unrestricted aid (i.e. foundation grant) is determined by the following variables:

- State of Michigan State Aid Act per student foundation allowance.
- Student enrollment is determined by a weighted average of 75 percent of the current fiscal year's fall enrollment and 25 percent of the prior fiscal year's winter enrollment.
- The District's tax levy placed on non-homestead property.

**Per Student Foundation Allowance:**

The State of Michigan annually establishes a foundation allowance for each enrolled student. DeWitt Public School District's foundation allowance for the 2005-2006 fiscal year increased by \$175 per pupil to \$6,875. The District's foundation allowance was not prorated, or reduced, during 2005-2006.

**Student Enrollment:**

Enrollment in the District during the fall count (September, 2005) amounted to 2,966 students. Over the most recent five year period, District enrollment increased each year, averaging 62 new students each year. Fall student enrollments for the past five years are summarized in the table below:

	<u>Student Enrollment</u>	<u>Increase from Prior Year</u>
2005-2006	2,966	+130
2004-2005	2,836	+ 56
2002-2003	2,780	+ 40
2001-2002	2,740	+ 27
2000-2001	2,713	+ 55

Enrollments are projected to continue to grow in future years.

**2. Property Taxes Levied from General Operations (General Fund Non-Homestead Taxes)**

The District is authorized to levy 18 mills of property taxes on Non-Homestead properties for operations (General Fund). Taxable levy is based on the taxable valuation of the properties. The annual property value taxation increase is capped at the prior year's Consumer Price Index (CPI) or five percent, whichever is less.

Whenever the District's aggregate Non-Homestead property tax valuation increases at a rate that exceeds the CPI, the District's authorized non-homestead property tax millage rate must be reduced. The 2005-2006 non-homestead millage rate is 18.0000, up from the prior year due to a Headlee override approved by the voters in 2004.

<u>Fiscal Year</u>	<u>Non-Homestead Millage Rate</u>
2005-2006	18.0000
2004-2005	17.3776
2003-2004	16.4538
2002-2003	17.0576
2001-2002	17.4486

Non-homestead property tax revenue for the 2005-2006 fiscal year amounted to \$1,206,735.

**3. Property Taxes Levied for Repayment of Debt**

The District's debt fund tax levy is used to pay the principal and interest on long-term bond obligations. The bond obligations exist as a result of capital project elections which were approved by the electorate. Debt fund taxes are levied on the taxable valuation of all properties, homestead and non-homestead. The debt millage fund tax levy for the 2005-2006 year was 11.12 mills. Total 2005-2006 revenue generated by debt fund taxes amounted to \$5,130,586.

**4. Food Service and Community Service Activities**

The District operates a Food Service program, providing lunch to students during the school day, and catering services to various district events. Revenues from food service operations for 2005-2006 amounted to \$737,510, an increase of \$15,581 over the prior year. Food service expenditures amounted to \$709,191 for the 2005-2006 year, which included financial support to the General Fund amounting to \$32,000. For the 2005-2006 year, Food Services reported revenues in excess of expenditures amounting to \$28,319.

The District also operates a Community Service program, which provides educational, recreation, child care, preschool, and facility rental services to community members. Revenues from Community Service operations for 2005-2006 amounted to \$679,078, an increase of \$67,264 over the prior year.



**Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2006**

Community Service expenditures amounted to \$682,259 for the 2005-2006 year, which included financial support to the General Fund amounting to \$76,000. For the 2005-2006 year, Community Services reported expenditures in excess of revenues amounting to \$3,181. Had Community Services not provided support to the General Fund, revenues would have exceeded expenditures by \$72,819.

**5. General Fund Operations**

The General Fund functions as the District's primary operating fund. All revenues and expenditures required to operate direct and indirect instructional programs are recorded in the General Fund. Expenditures for instruction, supporting services for instruction, administration, maintenance, transportation are all recorded by the General Fund.

For the 2005-2006 fiscal year, revenues for the District's General Fund operations exceeded expenditures by \$403,188, an increase of \$750,321 over prior year. The following table provides a five year history of General Fund revenues, expenditures, operating results, and fund balance reserves.

**GENERAL FUND REVENUES, EXPENDITURES, & OPERATING RESULTS  
Fiscal Years 2000-2001 through 2005-2006**

<b>Fiscal Year</b>	<b>Total Revenues</b>	<b>Total Expenditures</b>	<b>Excess/ (Deficit)</b>	<b>Fund Balance Reserves (Unreserved)</b>
2005-2006	\$ 22,391,717	\$ 21,988,529	\$ 403,188	\$ 3,401,402
2004-2005	20,324,360	20,671,493	( 347,133 )	3,106,055
2003-2004	19,547,782	19,750,031	( 202,249 )	3,453,188
2001-2002	19,501,866	19,513,683	( 11,817 )	3,655,437
2000-2001	18,547,647	18,604,709	( 57,062 )	3,667,254

**Analysis of Original Budget, Final Budget, and Actual Results:**

The Uniform Budget Act of the State of Michigan requires the Board of Education approve an original budget for the upcoming fiscal year prior to the start of the fiscal year on July 1.

DeWitt Public Schools amended its budget once during the year. For the 2005-2006 fiscal year, the budget was amended in December 2005, and served as the final budget for the fiscal year.



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**Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2006****Changes from Original Budget, Final Budget, and Actual:**

	Original Budget (Adopted June 2005)	Final Budget (Adopted December 2005)	Actual Year Ended June 30, 2006
Total Revenues	\$ 21,148,298	\$ 21,607,722	\$ 22,391,717
Total Expenditures	\$ 21,221,664	\$ 21,698,376	\$ 21,988,529

**Revenues:**

The District's final budget revenues were \$459,424 (2.2%) higher than the original budget projections. September 2005 enrollments were higher than the District anticipated when the original budget was adopted in June, 2005. Actual 2005-2006 revenues were \$783,995 (3.6%) higher than the final budget projections.

**Expenditures:**

The District's final budget expenditures were \$476,712 (0.9%) higher than original budget projections. Actual expenditures were \$290,153 (1.3%) higher than the final budget projections.

**Contacting the District's Financial Management:**

Management discussion and analysis documents are prepared to provide the District's constituents with a general overview of the District's financial position. Questions or requests for additional information can be directed to the Business Department of DeWitt Public Schools located at 2957 West Herbison Road, DeWitt, Michigan.

## **BASIC FINANCIAL STATEMENTS**



DeWitt Public Schools

STATEMENT OF NET ASSETS

June 30, 2006

	Governmental Activities
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 4,089,404
Receivables	65,400
Inventories	22,686
Due from State	3,504,308
Due from other governmental units	<u>75,266</u>
Total current assets	7,757,064
Noncurrent assets	
Capital assets not being depreciated	2,128,568
Capital assets, net of accumulated depreciation	<u>41,256,211</u>
Total noncurrent assets	<u>43,384,779</u>
TOTAL ASSETS	51,141,843
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	245,821
Accrued payroll	1,196,338
Accrued interest payable	460,574
Other accrued liabilities	418,139
Deferred revenue	62,740
Short-term debt payable	1,300,000
Current portion of compensated absences and termination benefits	105,728
Current portion of long-term debt	<u>4,050,550</u>
Total current liabilities	7,839,890
Noncurrent liabilities	
Noncurrent portion of long-term debt	55,574,913
Compensated absences and termination benefits	<u>951,547</u>
Total noncurrent liabilities	<u>56,526,460</u>
TOTAL LIABILITIES	<u>64,366,350</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(16,240,684)
Unrestricted	<u>3,016,177</u>
TOTAL NET ASSETS	<u>\$ (13,224,507)</u>

See accompanying notes to financial statements.

DeWitt Public Schools

STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

Governmental Activities	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Functions/Programs					
Instruction	\$ 13,604,901	\$ 22,808	\$ 498,070	\$ 28,483	\$ (13,055,540)
Supporting services	6,900,029	98,819	-	16,166	(6,785,044)
Food services	677,191	586,255	145,749	-	54,813
Athletics	638,927	262,118	-	-	(376,809)
Community services	606,259	671,901	-	-	65,642
Interest on long-term debt	2,664,759	-	-	-	(2,664,759)
Unallocated depreciation	1,622,457	-	-	-	(1,622,457)
<b>TOTAL</b>	<b>\$ 26,714,523</b>	<b>\$ 1,641,901</b>	<b>\$ 643,819</b>	<b>\$ 44,649</b>	<b>(24,384,154)</b>
General revenues					
Property taxes					5,976,140
State school aid - unrestricted					18,900,494
Special Education county allocation					226,126
Vocational Education county allocation					422,326
Investment earnings					186,828
Miscellaneous					122,695
<b>TOTAL GENERAL REVENUES</b>					<b>25,834,609</b>
<b>CHANGE IN NET ASSETS</b>					<b>1,450,455</b>
Net assets, beginning of the year					(14,674,962)
Net assets, end of the year					<b>\$ (13,224,507)</b>

See accompanying notes to financial statements.

## DeWitt Public Schools

## GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,790,880	\$ 1,298,524	\$ 4,089,404
Receivables	61,879	3,521	65,400
Inventories	-	22,686	22,686
Due from State	3,504,308	-	3,504,308
Due from other funds	217,233	211,766	428,999
Due from other governmental units	70,367	4,899	75,266
<b>TOTAL ASSETS</b>	<b>\$ 6,644,667</b>	<b>\$ 1,541,396</b>	<b>\$ 8,186,063</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 204,873	\$ 40,948	\$ 245,821
Accrued payroll	1,177,595	18,743	1,196,338
Other accrued liabilities	413,381	4,758	418,139
Due to other funds	-	428,999	428,999
Deferred revenue	7,942	54,798	62,740
Interest payable	31,633	-	31,633
Short-term debt payable	1,300,000	-	1,300,000
<b>TOTAL LIABILITIES</b>	<b>3,135,424</b>	<b>548,246</b>	<b>3,683,670</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventories	-	22,686	22,686
Debt service	-	177,826	177,826
Compensated absences	107,841	-	107,841
Unreserved			
Designated for capital improvements	300,000	-	300,000
Undesignated, reported in			
General fund	3,101,402	-	3,101,402
Special revenue funds	-	255,579	255,579
Capital projects funds	-	537,059	537,059
<b>TOTAL FUND BALANCES</b>	<b>3,509,243</b>	<b>993,150</b>	<b>4,502,393</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 6,644,667</b>	<b>\$ 1,541,396</b>	<b>\$ 8,186,063</b>

See accompanying notes to financial statements.



DeWitt Public Schools

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

June 30, 2006

**Total fund balance - governmental funds** \$ 4,502,393

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 62,295,047	
Accumulated depreciation is	<u>(18,910,268)</u>	
		43,384,779

Governmental funds report the effect of issuance costs, premiums, discounts, and  
similar items when debt is first issued, whereas these amounts are deferred and  
amortized in the Statement of Net Assets. These amounts consist of:

Unamortized bond premium	(49,684)	
Unamortized underwriter discount	34,666	
Unamortized defeased debt	100,982	
Unamortized bond issuance costs	<u>46,513</u>	
		132,477

Long-term liabilities, including bonds payable, are not due and  
payable in the current period and therefore are not reported as liabilities in  
the funds. Long-term liabilities at year-end consist of:

Bonds and loans payable	59,757,940	
Accrued interest payable	428,941	
Compensated absences and termination benefits	<u>1,057,275</u>	
		<u>(61,244,156)</u>

**Net assets of governmental activities** \$ (13,224,507)

See accompanying notes to financial statements.

## DeWitt Public Schools

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

Year Ended June 30, 2006

	General	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Local sources	\$ 1,426,659	\$ 6,430,164	\$ 7,856,823
State sources	19,373,434	43,097	19,416,531
Federal sources	69,500	118,818	188,318
OTHER FINANCING SOURCES			
County special education allocation	226,126	-	226,126
County vocational education allocation	422,326	-	422,326
Transfers from other funds	108,000	365,372	473,372
Installment loan	716,325	-	716,325
Bond proceeds	-	1,462,395	1,462,395
Other transactions	49,347	5,507	54,854
TOTAL REVENUES AND OTHER FINANCING SOURCES	22,391,717	8,425,353	30,817,070
EXPENDITURES			
Current			
Instruction	13,874,557	-	13,874,557
Supporting services	7,676,717	-	7,676,717
Food service activities	-	677,191	677,191
Athletic activities	-	638,927	638,927
Community services activities	-	606,259	606,259
Debt service			
Principal	27,823	3,763,143	3,790,966
Interest and fiscal charges	44,060	2,559,295	2,603,355
Capital outlay	-	107,742	107,742
OTHER FINANCING USES			
Transfers to other funds	365,372	108,000	473,372
TOTAL EXPENDITURES AND OTHER FINANCING USES	21,988,529	8,460,557	30,449,086
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	403,188	(35,204)	367,984
Fund balances, beginning of year	3,106,055	1,028,354	4,134,409
Fund balances, end of year	\$ 3,509,243	\$ 993,150	\$ 4,502,393

See accompanying notes to financial statements.

DeWitt Public Schools

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2006

**Net change in fund balances - total governmental funds** **\$ 367,984**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 990,240	
Depreciation expense	<u>(1,622,457)</u>	
Excess of depreciation expense over capital outlay		(632,217)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond and loan principal retirement	3,790,966	
Installment loan proceeds	(716,325)	
Amortization of bond issuance costs, premiums, discounts, and similar items	(7,524)	
Bond proceeds (including SBLF interest)	<u>(1,533,093)</u>	
		1,534,024

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	16,818	
Decrease in accrued compensated absences and termination benefits	<u>163,846</u>	
		<u>180,664</u>

**Change in net assets of governmental activities** **\$ 1,450,455**

See accompanying notes to financial statements.

DeWitt Public Schools

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2006

	Agency Fund
ASSETS	
Cash and cash equivalents	<u>\$    191,321</u>
LIABILITIES	
Due to student groups	<u>\$    191,321</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of DeWitt Public Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of DeWitt Public Schools (primary government). The District has no activities that would be classified as component units.

2. Basis of Presentation

DISTRICT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the district-wide statements) present information for the district as a whole. All non-fiduciary activities of the primary government are included. Interfund activity has been eliminated in the preparation of the district-wide financial statements.

The statement of activities presents the direct functional expenses of the District and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State aid payments and shows how governmental functions are either self-financing or supported by the general revenues of the District.

FUND FINANCIAL STATEMENTS

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District utilizes governmental and fiduciary funds.

The governmental fund financial statements present the District's individual major funds and aggregated nonmajor funds. Separate columns are shown for major funds on the balance sheet and statement of revenues, expenditures, and changes in fund balances. Nonmajor funds are combined and shown in a single column.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The major fund of the District is:

- a. General Fund - The General Fund is used to account for the general operations of the District pertaining to education and those operations not accounted for in other funds.

3. Measurement Focus

The district-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the district-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus - continued

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The district-wide and fiduciary fund financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Property tax revenue is recognized in the fiscal year for which it is levied. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the District before it has legal claim to them, such as when grant monies are received prior to the incurrence of qualified expenditures.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include property taxes, state and federal aid, and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Resources are considered available if they are collected during the current fiscal year or soon enough afterward to be used in payment of current year liabilities - defined as expected to be received within sixty days of year-end. Deferred revenues also arise when the District receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

5. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types.

The District does not maintain a formalized encumbrance accounting system. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Budgets and Budgetary Accounting - continued

- c. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will not be in excess of original estimates. Expenditures shall not be made or incurred in excess of the amount appropriated unless authorized in the budget.
- d. The budgets are legally adopted at the functional level; however, they are maintained at the object level for control purposes.
- e. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
- f. Formal budgetary integration is employed as a management control device during the year for the General and School Service Funds.
- g. The budget, as presented, has been amended in a legally permissible manner. Supplemental appropriations were made during the year, with the last one approved December 12, 2005.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and pooled investment funds. Cash equivalents are recorded at cost, which approximates market value.

7. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the governmental funds balance sheet.

8. Inventories

Inventories are stated at cost on a first in/first out basis. Inventories consist of food and paper goods. Reported inventories are equally offset by a fund balance reserve in the fund financial statements which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

9. Capital Assets

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the district-wide financial statements. Capital assets are those with an initial individual cost of \$1,200 or more, and all personal computers regardless of individual cost, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the district-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED****9. Capital Assets - continued**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and additions	25 - 50 years
Equipment and furniture	5 - 25 years
Vehicles	8 years

The District has no assets that would be classified as infrastructure assets.

**10. Compensated Absences**

Based on the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*, the District has recorded all liabilities associated with compensated absences. Accumulated terminal, sick and vacation leave amounts expected to be paid at termination are considered payable from future resources and are recorded along with the related payroll taxes as a liability in the district-wide financial statements.

**11. Accrued Interest Payable**

Accrued interest for long-term obligations is reported as a current liability in the district-wide statements.

**12. Deferred Revenues**

The unexpended balance of various federal and/or state categorical and local grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance, such as summer school, community education programs, and summer school lunch, recreational programs are also deferred.

**13. Short-Term Note Obligations**

Short-term debt is recognized as a liability of a governmental fund and is included on the balance sheet of the applicable fund. During the current year the District borrowed funds to meet short-term cash flow borrowing needs. The final payment is due and payable in August 2006, and anticipated State Aid is expected to be sufficient to cover this commitment.

**14. Long-Term Obligations**

Long-term debt is recognized as a liability in the district-wide statements when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.



NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**15. Property Taxes**

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year-end).

The District levies taxes of \$18.00 per \$1,000 of taxable valuation on non-homestead property for general governmental services and \$11.12 per \$1,000 of taxable valuation on the total applicable taxable valuation of all property within the District for debt service.

**16. State Foundation Revenue**

Beginning with the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a statewide formula. Prior to the fiscal year ended June 30, 1995 the State utilized a district power equalizing approach. The foundation is funded from State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the average of pupil membership counts taken in September of 2005 and February of 2005. The average calculation was weighted 75% for the September 2005 count and 25% for the February 2005 count.

The State portion of the foundation is provided primarily by a State education property tax millage of 6 mills and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by nonhomestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period (currently the fiscal year) and is funded through nine (9) payments made during the year and two (2) payments made in July and August subsequent to year-end. The local revenue is recognized as outlined above under Property Taxes.

**17. State Categorical Revenue**

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

**18. County Special and Vocational Education Revenue Allocation**

The District continued to receive revenue based on excess funds remaining from a countywide Special and Vocational Education millage increase approved in a prior year.

The millage was collected by Clinton County Regional Educational Service Agency (CCRESA) and the payments to the District were based on the most recent CCRESA budget at the time of allocation of excess revenues, after all CCRESA costs had been reimbursed. The allocation is paid pro rata based upon the K-12 pupil enrollment, including Special and Vocational Education students enrolled at CCRESA, of the District compared to the total countywide enrollment. The K-12 enrollment for the District is defined as the blended official count for the State foundation grant.

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

19. Interfund Transactions

Interfund transactions are reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers on the governmental fund financial statements. Transfers are netted as part of the reconciliation to the district-wide financial statements.

20. Federal Programs

Federal programs are accounted for in the General Fund and specific Special Revenue Funds.

21. Comparative Data

Comparative data for the prior year has not been presented in the basic financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH AND CASH EQUIVALENTS**

In accordance with Michigan Public Act 451 of 1976, Section 1223(1), as amended, the District is authorized to invest its surplus funds in the following types of investments:

1. Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
2. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state.
3. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
4. Securities issued or guaranteed by agencies or instrumentalities of the United States government.
5. United States government or federal agency obligation repurchase agreements.
6. Bankers' acceptances issued by a bank that is a member of the Federal Depository Insurance Corporation.
7. Mutual funds composed entirely of investment vehicles that are legal for direct investment by a School District.
8. Investment pools, as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a School District.

Michigan Public Acts authorize school districts in Michigan to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations. Deposits of the District are at federally insured banks in the State of Michigan in the name of the School District.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for savings deposits and demand deposits up to \$100,000 each. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan School Code Section 1223 allows that security in the form of collateral, surety bond, or another form may be taken for the deposits or investments of a school district in a bank, savings and loan association, or credit union.

Deposits

There is custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, the carrying amount of the District's deposits was \$4,008,249 and the bank balance was \$4,763,248 of which \$267,112 was covered by Federal depository insurance. The balance of \$4,496,136 was uninsured and uncollateralized.

Investments

As of June 30, 2006, the carrying amounts and market values for each type of investment as reported in the cash and cash equivalents caption on the financial statements are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
Uncategorized pooled investment funds			
MILAF - Cash management funds	\$ 159,719	\$ 159,719	< 12 months average 1 day
LaSalle Bank - Public Funds Investment	<u>112,037</u>	<u>112,037</u>	
	<u>\$ 271,756</u>	<u>\$ 271,756</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2006, the District's investments in the uncategorized pooled investments were rated AAA by Standard and Poor's.

Interest rate risk

The District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the weighted average maturity in accordance with the District's cash requirements.

Concentration of credit risk

The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE B: CASH AND CASH EQUIVALENTS - CONTINUED**

Custodial credit risk

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the District's investment policy and pre-qualifying the investment institutions, broker/dealers, intermediaries and advisors with which the District will do business in accordance with the District's investment policy.

As of June 30, 2006, the cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents caption in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	<u>\$ 4,089,404</u>	<u>\$ 191,321</u>	<u>\$ 4,280,725</u>

The District had \$720 of imprest cash on hand.

Due to significantly higher cash flow at certain periods during the year, the amount the Agency held as cash, cash equivalents and investments increased significantly. As a result, the amount of uninsured and uncollateralized cash, cash equivalents, and investments were substantially higher at these peak periods than at year-end.

**NOTE C: RECEIVABLES**

Receivables at June 30, 2006, consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Total</u>
Accounts	\$ 61,879	\$ 3,521	\$ 65,400
Due from State	3,504,308	-	3,504,308
Other governmental units	<u>70,367</u>	<u>4,899</u>	<u>75,266</u>
	<u>\$ 3,636,554</u>	<u>\$ 8,420</u>	<u>\$ 3,644,974</u>

Amounts due from other governmental units consist of various amounts owed to the District for grant and other programs, property taxes, and State Aid payments. The total amount of \$3,644,974 consists of \$3,504,308 related to State Aid, \$4,899 related to property taxes, and \$135,767 related to grant and other programs.

**NOTE D: CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,128,568	\$ -	\$ -	\$ 2,128,568

## DeWitt Public Schools

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE D: CAPITAL ASSETS - CONTINUED**

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Governmental activities - continued				
Capital assets being depreciated				
Buildings and additions	\$ 52,026,988	\$ -	\$ -	\$ 52,026,988
Improvements other than buildings	1,969,362	-	-	1,969,362
Equipment and furniture	4,496,115	213,552	-	4,709,667
Buses	973,283	776,688	( 363,669 )	1,386,302
Other capital equipment	74,160	-	-	74,160
Subtotal	59,539,908	990,240	( 363,669 )	60,166,479
Less accumulated depreciation for:				
Buildings and additions	( 13,022,898 )	( 1,034,267 )	-	( 14,057,165 )
Improvements other than buildings	( 960,968 )	( 93,360 )	-	( 1,054,328 )
Equipment and furniture	( 2,947,771 )	( 373,311 )	-	( 3,321,082 )
Buses	( 666,282 )	( 116,999 )	363,669	( 419,612 )
Other capital equipment	( 53,561 )	( 4,520 )	-	( 58,081 )
Subtotal	( 17,651,480 )	( 1,622,457 )	-0-	( 18,910,268 )
Net capital assets being depreciated	41,888,428	( 632,217 )	-0-	41,256,211
Capital assets, net	\$ 44,016,996	\$ ( 632,217 )	\$ -0-	\$ 43,384,779

Depreciation expense of \$1,622,457 was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

**NOTE E: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the District for the year ended June 30, 2006.

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due Within One Year
1996 School Building and Site Bonds	\$ 2,050,000	\$ -	\$ 1,000,000	\$ 1,050,000	\$ 1,050,000
1998 Refunding Bonds	29,425,000	-	115,000	29,310,000	120,000
2002 Refunding Bonds	2,230,000	-	215,000	2,015,000	205,000
1998 Durant Resolution Bonds	147,075	-	11,143	135,932	53,248
2003 Refunding Bonds	5,725,000	-	450,000	5,275,000	435,000
2003 SBLF Bonds	20,171,000	-	1,972,000	18,199,000	2,028,000
Installment Loans	146,929	716,325	27,823	835,431	159,302
Michigan School Bond Loans - Principal and interest	1,404,484	1,533,093	-	2,937,577	-
Compensated absences and termination benefits	1,221,121	-	163,846	1,057,275	105,728
	62,520,609	2,249,418	3,954,812	60,815,215	4,156,278
Less deferred amounts:					
On refunding	( 140,001 )	-	( 7,524 )	( 132,477 )	-
	<u>\$62,380,608</u>	<u>\$ 2,249,418</u>	<u>\$ 3,947,288</u>	<u>\$60,682,738</u>	<u>\$ 4,156,278</u>

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE E: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portions) are presented below.

General Obligation Bonds

\$39,500,000 School Building and Site Bonds dated November 5, 1996, due in an annual installment of \$1,050,000 on May 1, 2007, with interest at 6.00 percent, payable semi-annually.	\$ 1,050,000
\$30,805,000 Refunding Bonds dated October 15, 1998, due in annual installments ranging from \$120,000 to \$1,690,000 through May 1, 2026, with interest ranging from 4.25 to 5.125 percent, payable semi-annually.	29,310,000
\$2,895,000 Refunding Bonds dated March 6, 2002, due in annual installments ranging from \$155,000 to \$205,000 through May 1, 2017, with interest ranging from 4.0 to 4.75 percent, payable semi-annually.	2,015,000
\$6,625,000 Refunding Bonds dated September 30, 2003, due in annual installments ranging from \$325,000 to \$435,000 through May 1, 2020, with interest ranging from 3.0 to 4.5 percent, payable semi-annually.	5,275,000
\$20,680,940 School Bond Loan Fund Bonds dated September 30, 2003, due in annual installments ranging from \$2,028,000 to \$2,538,000 through May 1, 2014, with interest at 3.32 percent, payable semi-annually.	<u>18,199,000</u>
	<u>\$ 55,849,000</u>

Resolution Bonds

\$230,212 1998 Durant Resolution Bonds dated November 15, 1998, due in annual installments ranging from \$12,230 to \$53,248 through May 15, 2013, with interest at 4.761353 percent, payable annually. The annual debt service payments related to these bonds is paid through an annual appropriation from the State of Michigan.	<u>\$ 135,932</u>
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Installment Loans

\$270,643 Installment Purchase Agreements dated July 16, 1998, due in semi-annual installments ranging from \$16,037 to \$22,442 through May 15, 2013, with interest at 5.68 percent, payable semi-annually.	\$ 131,766
\$63,300 Installment Purchase Agreements dated November 17, 2005, due in annual installments of \$12,660 through February 22, 2010, with interest at 4.18 percent, payable annually.	50,640
\$653,025 Installment Purchase Agreements dated February 27, 2006, due in annual installments of \$130,605 through July 15, 2010, with interest at 3.89 percent, payable annually.	<u>653,025</u>
	<u>\$ 835,431</u>

Michigan School Bond Loans

The School District has borrowed on various occasions from the Michigan School Bond Loan Fund. Repayment is due when the School District has funds available as determined by the State of Michigan. Interest accrues on the unpaid balance. During the year the interest rate ranged from 3.125 to 4.684545 percent.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE E: LONG-TERM DEBT - CONTINUED**Michigan School Bond Loans - continued

The School District has borrowed \$1,462,395 in principal during this fiscal year. The balances at June 30, 2006, are as follows:

Loan balance	\$ 2,441,192
Interest balance	<u>496,385</u>
	<u>\$ 2,937,577</u>

Advance Refunding - Prior

On September 30, 2003 the District defeased the portion of the 1993 Refunding Bonds, which are due and payable May 1, 2006 through May 1, 2020. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2003 Refunding Bonds in the amount of \$6,625,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bond are not included in the District's financial statements. At June 30, 2006, bonds due and payable May 1, 2007 through May 1, 2020 for 1993 Refunding Bonds in the amount of \$5,235,000 are considered defeased.

On March 6, 2002 the District defeased the portion of the 1992 Refunding Bonds, which are due and payable May 1, 2006 through May 1, 2016. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 2002 Refunding Bonds in the amount of \$2,895,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2006, bonds due and payable May 1, 2007 through May 1, 2016 for the 1992 Refunding Bonds in the amount of \$2,000,000 are considered defeased.

On October 13, 1998 the District defeased the portion of the 1996 School Building and Site Bonds which are due and payable May 1, 2008 through May 1, 2026. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The District issued General Obligation 1998 Refunding Bonds in the amount of \$30,805,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. At June 30, 2006, bonds due and payable May 1, 2008 through May 1, 2026 for the 1996 School Building and Site Bonds in the amount of \$28,575,000 are considered defeased.

Compensated Absences and Termination Benefits

In recognition of services to the District, a terminal leave payment will be paid upon retirement to eligible employees according to their respective employment contracts. In addition, accumulated sick and vacation leave payments will be made upon termination to eligible employees according to their respective employment contracts.

In recognition of services to the District, a severance payment is made to eligible employees with at least twenty (20) years of service according to their respective employment contracts.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE E: LONG-TERM DEBT - CONTINUED**

A summary of the calculated amounts of compensated absences and termination benefits accrued and related payroll taxes as of June 30, 2006 is as follows:

Compensated absences and termination benefits	\$ 982,141
Payroll taxes	<u>75,134</u>
	<u>\$ 1,057,275</u>

**Annual Requirements for Bonded Debt and Installment Loans**

The annual requirement to pay the debt principal and interest outstanding for the Long-Term Debt is as follows:

Year Ending June 30,	<u>School Building and Site Bonds</u>		<u>1998 Refunding Bonds</u>		<u>2002 Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,050,000	\$ 63,000	\$ 120,000	\$ 1,450,016	\$ 205,000	\$ 87,555
2008	-	-	1,225,000	1,444,916	205,000	79,355
2009	-	-	1,270,000	1,391,629	200,000	71,155
2010	-	-	1,315,000	1,335,749	195,000	62,656
2011	-	-	1,355,000	1,276,574	190,000	54,856
2012-2016	-	-	7,335,000	5,380,600	865,000	155,712
2017-2021	-	-	8,240,000	3,445,093	155,000	7,362
2022-2026	-	-	8,450,000	1,299,189	-	-
	<u>\$ 1,050,000</u>	<u>\$ 63,000</u>	<u>\$ 29,310,000</u>	<u>\$ 17,023,766</u>	<u>\$ 2,015,000</u>	<u>\$ 518,651</u>

Year Ending June 30,	<u>Durant Resolution Bonds</u>		<u>2003 Refunding Bonds</u>		<u>2003 SBLF</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 53,248	\$ 23,039	\$ 435,000	\$ 199,472	\$ 2,028,000	\$ 603,842
2008	12,230	3,937	425,000	186,422	2,094,000	536,554
2009	12,812	3,355	415,000	173,672	2,162,000	467,074
2010	13,421	2,745	400,000	161,222	2,232,000	395,340
2011	14,061	2,105	400,000	148,222	2,306,000	321,282
2012-2016	30,160	2,171	1,855,000	518,034	7,377,000	494,746
2017-2021	-	-	1,345,000	146,178	-	-
2022-2026	-	-	-	-	-	-
	<u>\$ 135,932</u>	<u>\$ 37,352</u>	<u>\$ 5,275,000</u>	<u>\$ 1,533,222</u>	<u>\$ 18,199,000</u>	<u>\$ 2,818,838</u>

Year Ending June 30,	<u>Installment Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 159,302	\$ 18,091
2008	160,226	28,352
2009	161,203	21,765
2010	162,236	15,122
2011	150,669	8,419
2012-2016	<u>41,795</u>	<u>3,143</u>
	<u>\$ 835,431</u>	<u>\$ 94,892</u>

It is not possible to project a payment schedule for the Michigan School Bond Loans due to varying interest rates and timing of repayments. As a result, it is not included in the schedule above.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE F: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2006, are as follows:

Due to nonmajor governmental funds from:	
Nonmajor governmental funds	\$ 211,766
Due to General Fund from:	
Nonmajor governmental funds	<u>217,233</u>
	<u>\$ 428,999</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE G: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 365,372
Transfers to General Fund from:	
Nonmajor governmental funds	<u>108,000</u>
	<u>\$ 473,372</u>

**NOTE H: EMPLOYEE RETIREMENT SYSTEM**

All of the District's employees, except students, are eligible to participate in the State wide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing, State wide public employee retirement system. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. The report for the fiscal year-end September 30, 2005, the last year available, may be obtained by contacting the State of Michigan Department of Management and Budget.

The payroll for employees covered by the MPERS for the year ended June 30, 2006 was \$13,046,061 of which \$10,226,260 was for members who have elected the MIP option; the District's total payroll was \$13,389,913.

Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment Plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. For a limited period ended January 1, 1993, an active Basic Plan member may have enrolled in MIP by repaying the contributions and interest that would have been made had MIP enrollment occurred initially prior to January 1, 1990. Employees first hired on or after January 1, 1990, will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of credited service, or at age sixty while still working with a minimum total of five (5) years of credited service, with credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the member's final average compensation multiplied by the total number of years of credited service.

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten (10) or more years of credited service; or attaining age fifty-five with thirty or more years of credited service; or attaining age fifty-five while still working with at least fifteen (15) but fewer than thirty years of credited service in each of the five (5) school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five (5) years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death and disability benefits and health and medical, dental, vision and hearing insurance coverage. Benefits are established by State statute.

Employees who selected MIP on or before December 31, 1989, contributed 4% from January 1, 1987 to December 31, 1989 and 3.9% thereafter. Employees first hired on or after January 1, 1990, are required to contribute based on a graduated rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

For the period of July 1, 2005 to September 30, 2005, the District was required by State statute to contribute 14.87% of covered compensation for all wages to the Plan. For the period of October 1, 2005 to June 30, 2006 the District is required by State statute to contribute 16.34% of covered compensation for all wages to the Plan. The total amount contributed to the Plan for the year ended June 30, 2006 and the previous two (2) years is as follows:

<u>June 30,</u>	<u>MIP</u> <u>Contributions</u>	<u>District</u> <u>Contributions</u>	<u>Total</u> <u>Contributions</u>
2006	\$ 394,621	\$ 2,088,493	\$ 2,483,114
2005	389,061	1,880,394	2,269,455
2004	288,665	1,682,503	1,971,168

The following represents contributions as a percentage of the applicable covered payroll for the current and preceding two (2) years:

<u>June 30,</u>	<u>MIP</u> <u>Contributions</u>	<u>District</u> <u>Contributions</u>
2006	4.0 %	16.0 %
2004	4.0	14.4
2004	4.0	13.0

**NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Section 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amount appropriated.

In the budgetary comparison schedule, the District's budgeted expenditures have been shown (and were adopted) at the functional classification level. During the year ended June 30, 2006, the District incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

DeWitt Public Schools

NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED**

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Instruction			
Basic programs	\$11,745,668	\$12,048,911	\$ 303,243
Supporting services			
Instructional staff	713,089	720,020	6,931
Transportation	750,255	1,372,278	622,023
Central	638,261	732,813	94,552
Debt Service			
Interest	37,000	44,060	7,060
Other financing uses			
Transfers to other funds	342,739	365,372	22,633

**NOTE J: RISK MANAGEMENT**

The District participates in a pool, the MASB-SEG Property and Casualty Pool with other school districts for property, fleet, liability, in-land marine, equipment breakdown, builder's risk, employee dishonesty, crime, and errors and omissions. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. The District has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The District also participates in a pool, the SEG Self-Insured Workers' Disability Compensation Fund, with other school districts for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The District has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

**NOTE K: FLEXIBLE BENEFITS PLAN**

In February 1996, the District implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan is available to all employees who are eligible to have health coverage under the employer's health insurance plan and have a benefit election form on file. The plan permits them to waive health insurance coverage from the District and receive a cash benefit in lieu of such health insurance. Eligible employees may also pay for additional benefits under the plan with pretax dollars by making elective salary reduction contributions to the plan. The optional benefits include medical reimbursement and dependent care assistance reimbursements.

The plan is administered by DeWitt Public Schools.

**NOTE L: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT**

During a prior year the Durant vs. State of Michigan case was settled and the State was required to reimburse each plaintiff and nonplaintiff an agreed upon amount for past underfunding of special education. DeWitt Public Schools, a nonplaintiff District, was awarded \$460,424 in the settlement. These funds are being paid as follows:

- a. One half is being paid over the next ten (10) years, which began November 15, 1998. The restrictions on use of these funds are detailed within State School Aid Act, Section 11F(6). These funds are recorded within the General Fund as categorical State Aid. At the end of the current year all these funds had been expended.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2006

**NOTE L: SPECIAL EDUCATION UNDERFUNDING SETTLEMENT - CONTINUED**

- b. One-half is being paid over the next fifteen (15) years, which began May 15, 1999. The District borrowed this portion of the settlement amount through the Michigan Municipal Bond Authority on November 15, 1998. These funds were recorded as bond proceeds in the Capital Projects Fund. The bond proceeds may be used for any purpose specified in Section 1351 (a) of the Revised School Code. The debt service payments for these bonds are to be made through an annual legislative appropriation. If the State of Michigan legislature fails to make the annual appropriation the District is under no obligation for the debt payments for that year. The District has pledged the annual State payments to the Michigan Municipal Bond Authority for payment of debt service.

**NOTE M: SHORT-TERM NOTES**

On August 19, 2005, the District issued a short-term State School Aid Anticipation Note in the amount of \$1,300,000 for the purpose of funding operating expenditures until the 2006 State Aid payments resumed. This short-term note, which has a net outstanding balance of \$1,300,000 at June 30, 2006, is reported in the fund-level and district-wide financial statements under the caption short-term notes payable. The June 30, 2006 outstanding balance was paid off on August 18, 2006.

**NOTE N: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the District has set aside for specific purposes.

The following are the various fund balance reserves as of June 30, 2006:

General Fund	
Reserved for compensated absences	\$ 107,841
Nonmajor governmental funds	
Reserved for inventories	22,686
Reserved for debt service	<u>177,826</u>
	<u>\$ 308,353</u>

The following is the fund balance designation as of June 30, 2006:

General Fund	
Designated for capital improvements	<u>\$ 300,000</u>

**NOTE O: SUBSEQUENT EVENT**

After the year ended June 30, 2006, the following significant event occurred:

In August 2006, the District received funds from the Michigan Municipal Bond Authority short-term cash flow borrowing program. The loan totaled \$1,200,000 and future anticipated State Aid and other local funds are expected to be sufficient to cover this commitment.

## **REQUIRED SUPPLEMENTARY INFORMATION**

## DeWitt Public Schools

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources	\$ 1,185,820	\$ 1,383,587	\$ 1,426,659	\$ 43,072
State sources	19,232,306	19,322,470	19,373,434	50,964
Federal sources	76,172	80,421	69,500	(10,921)
OTHER FINANCING SOURCES				
County special education allocation	152,000	234,000	226,126	(7,874)
County vocational education allocation	400,000	411,844	422,326	10,482
Transfers from other funds	98,000	108,000	108,000	-0-
Installment loan	-	63,400	716,325	652,925
Other transactions	4,000	4,000	49,347	45,347
TOTAL REVENUES AND OTHER FINANCING SOURCES	21,148,298	21,607,722	22,391,717	783,995
EXPENDITURES				
Current				
Instruction				
Basic programs	11,443,925	11,745,668	12,048,911	(303,243)
Added needs	1,846,243	1,864,286	1,825,646	38,640
Total instruction	13,290,168	13,609,954	13,874,557	(264,603)
Supporting services				
Pupil	604,314	614,304	602,629	11,675
Instructional staff	815,599	713,089	720,020	(6,931)
General administration	356,454	323,362	314,440	8,922
School administration	1,292,615	1,367,505	1,319,655	47,850
Business	467,050	415,923	405,535	10,388
Operation and maintenance	2,242,383	2,376,334	2,209,347	166,987
Transportation	661,967	750,255	1,372,278	(622,023)
Central	676,479	638,261	732,813	(94,552)
Total supporting services	7,116,861	7,199,033	7,676,717	(477,684)
Debt service				
Principal	-	28,000	27,823	177
Interest	-	37,000	44,060	(7,060)
Total debt service	-0-	65,000	71,883	(6,883)

## DeWitt Public Schools

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Payments to other districts	\$ 485,150	\$ 481,650	\$ -	\$ 481,650
Transfers to other funds	329,485	342,739	365,372	(22,633)
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>21,221,664</u>	<u>21,698,376</u>	<u>21,988,529</u>	<u>(290,153)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(73,366)	(90,654)	403,188	493,842
Fund balance, beginning of year	<u>3,106,055</u>	<u>3,106,055</u>	<u>3,106,055</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 3,032,689</u>	<u>\$ 3,015,401</u>	<u>\$ 3,509,243</u>	<u>\$ 493,842</u>

## **OTHER SUPPLEMENTARY INFORMATION**



## DeWitt Public Schools

## Nonmajor Governmental Funds

## COMBINING BALANCE SHEET

June 30, 2006

	Special Revenue		
	Food Service	Athletics	Community Services
ASSETS			
Cash and cash equivalents	\$ 215,513	\$ 161,779	\$ 298,900
Receivables	-	-	3,521
Inventories	22,686	-	-
Due from other governmental units	4,899	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 243,098</u>	<u>\$ 161,779</u>	<u>\$ 302,421</u>
LILABILITIES			
Accounts payable	\$ 17,532	\$ 675	\$ 22,741
Accrued payroll	-	750	17,993
Other accrued liabilities	-	190	4,568
Due to other funds	80,523	144,224	85,039
Deferred revenue	18,438	-	36,360
TOTAL LIABILITIES	116,493	145,839	166,701
FUND BALANCES			
Reserved for			
Inventories	22,686	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	103,919	15,940	135,720
Capital projects funds	-	-	-
TOTAL FUND BALANCES	<u>126,605</u>	<u>15,940</u>	<u>135,720</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 243,098</u>	<u>\$ 161,779</u>	<u>\$ 302,421</u>

# Debt Service

Durant	1996	1998	2002	2003 Refunding
\$ -	\$ 27,727	\$ 59,626	\$ 8,427	\$ 16,344
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	118,200	-	-
<u>\$ -0-</u>	<u>\$ 27,727</u>	<u>\$ 177,826</u>	<u>\$ 8,427</u>	<u>\$ 16,344</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	27,727	-	8,427	16,344
-	-	-	-	-
-0-	27,727	-0-	8,427	16,344
-	-	-	-	-
-	-	177,826	-	-
-	-	-	-	-
-	-	-	-	-
-0-	-0-	177,826	-0-	-0-
<u>\$ -0-</u>	<u>\$ 27,727</u>	<u>\$ 177,826</u>	<u>\$ 8,427</u>	<u>\$ 16,344</u>

## DeWitt Public Schools

## Nonmajor Governmental Funds

## COMBINING BALANCE SHEET - CONTINUED

June 30, 2006

	Debt Service	Capital Projects	
	2003 SBLF Bonds	General Projects	1996 Bond Project
<b>ASSETS</b>			
Cash and cash equivalents	\$ 66,715	\$ 377,437	\$ 66,056
Receivables	-	-	-
Inventories	-	-	-
Due from other governmental units	-	-	-
Due from other funds	-	93,566	-
<b>TOTAL ASSETS</b>	<u>\$ 66,715</u>	<u>\$ 471,003</u>	<u>\$ 66,056</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	66,715	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	66,715	-0-	-0-
<b>FUND BALANCES</b>			
Reserved for			
Inventories	-	-	-
Debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	-	-	-
Capital projects funds	-	471,003	66,056
<b>TOTAL FUND BALANCES</b>	<u>-</u>	<u>471,003</u>	<u>66,056</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 66,715</u>	<u>\$ 471,003</u>	<u>\$ 66,056</u>

Total  
Nonmajor  
Governmental  
Funds

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\$ 1,298,524  
3,521  
22,686  
4,899  
211,766

---

\$ 1,541,396

\$ 40,948  
18,743  
4,758  
428,999  
54,798

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548,246

22,686  
177,826

255,579  
537,059

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993,150

\$ 1,541,396

## DeWitt Public Schools

## Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2006

	Special Revenue		
	Food Service	Athletics	Community Services
REVENUES			
Local sources	\$ 586,254	\$ 271,443	\$ 679,078
State sources	26,931	-	-
Federal sources	118,818	-	-
OTHER FINANCING SOURCES			
Transfers from other funds	-	365,372	-
Bond proceeds	-	-	-
Payments from other districts	5,507	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	737,510	636,815	679,078
EXPENDITURES			
Current			
Food service activities	677,191	-	-
Athletic activities	-	638,927	-
Community services activities	-	-	606,259
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Capital outlay	-	-	-
OTHER FINANCING USES			
Transfers to other funds	32,000	-	76,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	709,191	638,927	682,259
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	28,319	(2,112)	(3,181)
Fund balances, beginning of year	98,286	18,052	138,901
Fund balances, end of year	\$ 126,605	\$ 15,940	\$ 135,720

Debt Service

Durant Fund	1996	1998	2002	2003 Refunding
\$ -	\$ 868,396	\$ 1,213,130	\$ 241,465	\$ 508,855
16,166	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	253,820	398,631	68,865	147,867
-	-	-	-	-
16,166	1,122,216	1,611,761	310,330	656,722
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
11,143	1,000,000	115,000	215,000	450,000
5,023	125,800	1,455,145	95,330	208,722
-	-	-	-	-
-	-	-	-	-
16,166	1,125,800	1,570,145	310,330	658,722
-0-	(3,584)	41,616	-0-	(2,000)
-	3,584	136,210	-	2,000
\$ -0-	\$ -0-	\$ 177,826	\$ -0-	\$ -0-

## DeWitt Public Schools

## Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended June 30, 2006

	Debt Service	Capital Projects	
	2003	General	1996
	SBLF Bonds	Projects	Bond Project
REVENUES			
Local sources	\$ 2,044,920	\$ 13,333	\$ 3,290
State sources	-	-	-
Federal sources	-	-	-
OTHER FINANCING SOURCES			
Transfers from other funds	-	-	-
Bond proceeds	593,212	-	-
Other transactions	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	2,638,132	13,333	3,290
EXPENDITURES			
Current			
Food service activities	-	-	-
Athletic activities	-	-	-
Community services activities	-	-	-
Debt service			
Principal	1,972,000	-	-
Interest and fiscal charges	669,275	-	-
Capital outlay	-	-	107,742
OTHER FINANCING USES			
Transfers to other funds	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	2,641,275	-0-	107,742
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(3,143)	13,333	(104,452)
Fund balances, beginning of year	3,143	457,670	170,508
Fund balances, end of year	\$ -0-	\$ 471,003	\$ 66,056

Total  
Nonmajor  
Governmental  
Funds

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\$ 6,430,164  
43,097  
118,818

365,372  
1,462,395  
5,507

---

8,425,353

677,191  
638,927  
606,259

3,763,143  
2,559,295  
107,742

108,000

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8,460,557

---

(35,204)

1,028,354

---

\$ 993,150



Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
DeWitt Public Schools  
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DeWitt Public Schools as of and for the year ended June 30, 2006, which collectively comprise DeWitt Public Schools' basic financial statements, and have issued our report thereon dated September 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DeWitt Public Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeWitt Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of DeWitt Public Schools in a separate letter dated September 14, 2006.

This report is intended solely for the information and use of management and the Board of Education of DeWitt Public Schools and the pass-through grantors and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 14, 2006

East Lansing ■ Rochester Hills ■ St. Johns

Principals

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MANAGEMENT LETTER

To the Board of Education  
DeWitt Public Schools  
DeWitt, Michigan

As you know, we have recently completed our audit of the records of DeWitt Public Schools as of and for the year ended June 30, 2006. In connection with the audit, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Decentralized student activity accounting and documentation procedures should be reviewed.

Various student activities of the District operate accounting systems separately from the Central Business Office. Summarized financial information is accumulated on these activities and recorded annually in the audited financial statements.

During our analysis and testing of the internal controls related to decentralized accounting systems, we noted the following issues at Schavey Road Elementary:

- a. It was noted the Secretary uses the Principal's signature stamp for signing checks without the Principal present. The Principal should review disbursements and sign checks to improve internal controls. We suggest that signature stamps not be used.
- b. The bank reconciliation for the month of June 2006 had not been performed for the internal account as of September 14, 2006. Proper bank reconciliations provide internal controls for cash by assuring all receipts and disbursements are recorded by the bank. We suggest that all bank accounts be reconciled from bank balance to book balance each month and that reconciliations be reviewed and approved by a supervisor on a regular basis.

We feel it is important that appropriate accounting policies and procedures are followed and sufficient internal controls be utilized when accounting for these activities. Similar issues related to decentralized activities were noted and reported in our audit comments for the prior year.

One of the results of our audit comments for the prior year was the District adopted standardized accounting practices for all decentralized accounting systems. Also, for certain activity accounts, the accounting function was brought into the Central Business Office. Such efforts have been recognized and are reflected in the reduced number of findings related to decentralized activities for the fiscal year ended June 30, 2006.

We suggest the District review and revise, as needed, the accounting policies related to all decentralized activities. The District should stress to the appropriate school personnel the importance of following procedures and should periodically monitor adherence to the policies.

2. The District should escheat unclaimed property to the State of Michigan.

During our audit, it was noted that the District had several outstanding checks listed on various bank reconciliations that were more than one (1) year old. The Michigan Public Act 29 of 1995 provides that the District report and escheat unclaimed property to the State of Michigan. This issue was noted and reported in our audit comments for the prior year.

We suggest the District attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we suggest the District review their unclaimed property and escheat funds to the State of Michigan as necessary.

3. Budgets should be monitored and amended when necessary.

As noted in the basic financial statements, some of the budgeted activities of the District exceeded the amounts appropriated. The variances noted were in the General Fund.

Within the General Fund, the most significant budget variance for expenditures was caused by the financing of the purchase of several buses. Generally accepted accounting principles require governmental funds to reflect debt proceeds and the related cost of the capital asset(s) purchased with those debt proceeds at their gross amounts in the year the financing was acquired. In this instance, the installment loans, which were approved by the District's Board, totaled \$716,325, and the budget variance for transportation services was \$622,023.

The Michigan Public Act 621 of 1978, as amended, provides that the District adopt a formal budget for the General and Special Revenue Funds, and shall not incur expenditures in excess of amounts appropriated.

We suggest the District monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements, and this report does not affect our report on the basic financial statements dated September 14, 2006.

This report is intended solely for the information and use of the management and the Board of Education of DeWitt Public Schools and should not be used by anyone other than those specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

September 14, 2006